

Message Text

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PAGE 01 MANILA 02825 210929Z
ACTION TRSE-00

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TO SECSTATE WASHDC PRIORITY 1971

C O N F I D E N T I A L MANILA 2825

USADB

PASS TREASURY FOR NACHMANOFF/SHERK

EYES ONLY

E.O. 11652: GDS
TAGS: EAID, EFIN
SUBJECT: ADB VICE PRESIDENCY

REF: (A) MANILA 2792, (B) STATE 44140

1. IN PAPERS HANDED OVER TO PRESIDENT YOSHIDA IN GENEVA
RELATING TO THE ARRANGEMENTS FOR THE PROPOSED SECONDMENT OF
DR. KATZ TO A POSITION AS VICE PRESIDENT, ADB, FOLLOWING
POINTS HAVE BEEN RAISED BY THE PRESIDENT FOR AMENDMENT AS
REGARD SUB-PARA A AND CLARIFICATION AS REGARD SUB-PARAS B
AND C BELOW:

A. WITH REFERENCE TO PARAGRAPH 6 ON COMPENSATION
ARRANGEMENTS, PRESIDENT WOULD PREFER THAT THE ARRANGEMENT
FOR REIMBURSEMENT BE THAT DR. KATZ SHOULD HIMSELF RECEIVE
THE BANK REMUNERATION AND MAKE IT OVER TO THE U.S. DEPARTMENT
OF STATE RATHER THAN THAT THE ADB SHOULD ITSELF DIRECTLY
REIMBURSE THE STATE DEPARTMENT. THIS WOULD HAVE THE
TECHNICAL AND LEGAL ADVANTAGE THAT DR. KATZ SO FAR AS
THE BANK IS CONCERNED, WOULD BE A BANK EMPLOYEE. FURTHER,
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PRESIDENT UNDERSTANDS THAT FRYER, EXECUTIVE DIRECTOR
REPRESENTING UK, GERMANY AND AUSTRIA, HAD RAISED THIS
POINT WITH U.S. EXECUTIVE DIRECTOR EDMOND WHO APPARENTLY
REPLIED THAT IT COULD BE TAKEN CARE OF. SAME POINT WAS
APPARENTLY RAISED WITH TREASURY
DEPUTY ASSISTANT SECRETARY NACHMANOFF IN GENEVA WITH
THE SAME REPLY. REQUESTED AMENDMENT WOULD THEREFORE MEAN

THAT ANY REIMBURSEMENT AGREEMENT, AS CONTEMPLATED IN LAST SENTENCE OF YOUR PARAGRAPH 6, WOULD BE BETWEEN DR. KATZ AND THE STATE DEPARTMENT. THEREFORE, THE THIRD AND FOURTH SENTENCES OF PARAGRAPH 6. SHOULD BE REPLACED BY WORDS TO THE FOLLOWING EFFECT:

QUOTE

THE DEPARTMENT OS STATE WOULD, IN REIMBURSEMENT, RECEIVE FROM DR. KATZ ALL REMUNERATION AND ALLOWANCES ELIGIBLE TO HIM FROM THE ADB BY REASON OF HIS EMPLOYMENT THEREIN AND WOULD ENTER INTO AN AGREEMENT WITH DR. KATZ FOR SUCH PURPOSE. UNQUOTE. PRESIDENT REQUESTS AMENDMENT OF PARAGRAPH 6 ACCORDINGLY.

B. WITH REFERENCE TO SAME PARAGRAPH, FOR THE PERIOD THAT DR. KATZ SERVES IN THE BANK AS SPECIAL ADVISER FROM THE DATE OF JOINING UP TO APRIL 1, 1978, HE WOULD BE PAID BY THE BANK AS SPECIAL ADVISER AND HIS REIMBURSEMENT WOULD THEREFORE BE AT THAT LEVEL. MR BAMBAWALE, AS SPECIAL ADVISER, DRAWS SALARY AT LEVEL OF EXECUTIVE DIRECTOR AND IT IS THE PRESIDENT'S INTENTION THAT DR. KATZ SHOULD ALSO DO THE SAME. THIS IS FOR YOUR CLARIFICATION.

C. WITH REGARD TO PARAGRAPH 9, ON DURATION, SINCE PRESIDENT WILL BE APPROACHING THE BOARD OF DIRECTORS FOR CONFIDENTIAL

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DR. KATZ'S APPOINTMENT AS A VICE PRESIDENT FOR A TERM OF FIVE YEARS, HE WILL BE INFORMING THE BOARD THAT THE PERIOD OF FSR SECONDMENT WOULD BE CORRESPONDINGLY FIVE YEARS. THIS IS ALSO FOR YOUR CLARIFICATIONS.

2. PLEASE NOTE THAT 1.B. AND 1.C. ARE ONLY FOR YOUR CLARIFICATION AND INFORMATION. SINCE THE PRESIDENT WISHES TO TAKE ACTION IMMEDIATELY WITH THE BOARD OF DIRECTORS SO AS TO HAVE DR. KATZ'S APPOINTMENT CONSIDERED AT BOARD MEETING ON MARCH 2ND, YOUR CONCURRENCE IS REQUESTED ON 1.A. BY CABLE IMMEDIATELY.

3. HAVE RECEIVED CABLE TEXT OF LETTER FROM ASSISTANT SECRETARY OF STATE HOLBROOKE PER REFTEL (B). WESTCOTT

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